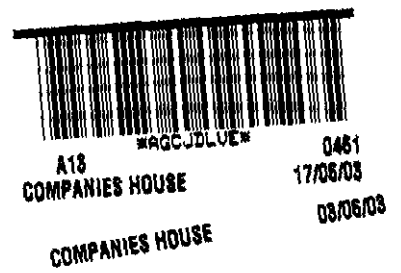


NEW MALDEN HOUSE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2002**

PricewaterhouseCoopers LLP
*Chartered Accountants and
Registered Auditors*
1 Embankment Place
London
WC2N 6NN

Company No. 2505599



NEW MALDEN HOUSE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2002

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NEW MALDEN HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

The Directors are pleased to present their annual report together with the financial statements for the year ended 31 December 2002.

1 PRINCIPAL ACTIVITY

The principal activity of the company is to hold investments and to earn income therefrom.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the financial statements. The company has performed in line with expectations. The directors expect the principal activity of the company to remain unchanged for the foreseeable future.

3 DIVIDENDS

The Directors do not propose a dividend for the year ended 31 December 2002 (2001:nil)

4 FIXED ASSETS

Information relating to the changes in fixed assets is given in note 7 to the accounts.

5 DIRECTORS

The Directors of the company during the year were as follows:

Mr T J Thomson
Mr D M Bäverstam

The Directors had no interests in the shares of the company at any time during the year. The interests of the directors, who are also directors of the parent company, in CLS Holdings plc are disclosed in that company's financial statements.

NEW MALDEN HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

6 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company at the end of the year and of the profit or loss for the year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the financial statements comply with the above requirements.

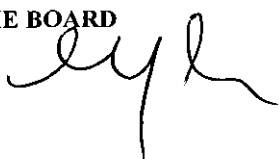
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors also have general responsibility for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

7 AUDITORS

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

BY ORDER OF THE BOARD

Mr T J Thomson
Director



28 May 2003

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

NEW MALDEN HOUSE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW MALDEN HOUSE LIMITED

We have audited the financial statements which comprise the profit and loss account, balance sheet, the statement of total recognised gains and losses and the related notes.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by prior consent or writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

*Chartered Accountants and
Registered Auditors*
LONDON

28 May 2003

NEW MALDEN HOUSE LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2002**

| | NOTES | 2002 £ | 2001 £ |
|--|-------|-----------|-----------|
| Turnover | (2) | 1,803 | 1,207 |
| Administrative expenses | | (3,808) | (4,164) |
| Operating Loss | | (2,005) | (2,957) |
| Interest payable and related charges | (3) | (15,000) | (8,438) |
| Loss on ordinary activities before taxation | (5) | (17,005) | (11,395) |
| Tax on loss on ordinary activities | (6) | - | - |
| Deficit for the year | (12) | (17,005) | (11,395) |

The company has no other recognised gains or losses other than those reported in the above profit and loss account.

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

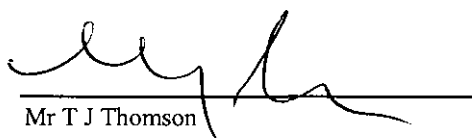
All items included in the above profit and loss account are part of continuing operations.

NEW MALDEN HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

| | NOTES | 2002 £ | 2001 £ |
|---|-------|-----------|-----------|
| FIXED ASSETS | | | |
| Investments | (7) | 1,123,110 | 1,013,110 |
| CURRENT ASSETS | | | |
| Debtors | (8) | - | 78 |
| | | - | 78 |
| CREDITORS: amounts falling due within one year | (9) | (411,934) | (285,008) |
| NET CURRENT LIABILITIES | | (411,934) | (284,930) |
| NET ASSETS | | 711,176 | 728,180 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | (11) | 2 | 2 |
| Profit and loss account | (12) | 711,174 | 728,178 |
| EQUITY SHAREHOLDERS' FUNDS | | 711,176 | 728,180 |

These financial statements were approved by the Board of Directors on 28 May 2003 and signed on its behalf by:


 _____ DIRECTOR
 Mr T J Thomson

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 PRINCIPAL ACCOUNTING POLICIES

The company has adopted Financial Reporting Standard 19 'Deferred Taxation' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS 19 are given in note 12.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company has taken advantage of the exemption in Financial Reporting Standard No. 1 as a cash flow statement has been prepared for the group. The company is a wholly owned subsidiary of CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings as the financial statements of CLS Holdings plc are publicly available. The company has received assurances from fellow group companies that sufficient funds will be available to meet the company's requirements for at least twelve months from the date of these accounts. Accordingly, these financial statements have been prepared on a going concern basis.

1.2 Investments

Fixed asset investments are held at cost. A provision is made for any material permanent diminution in value.

1.3 Turnover

Turnover comprises income receivable from investments.

1.4 Deferred taxation

Deferred taxation is recognised in respect of timing differences arising from differences in the treatment for accounts and tax purposes of transactions or events recognised in the financial statements except that:

- Provision is not made in respect of property revaluation gains and losses
- Deferred tax assets are recognised only to the extent that suitable taxable profits are considered sufficiently certain to arise which could be set against these assets when they reverse

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

2 TURNOVER

| | 2002 | 2001 |
|---------------------|--------------|--------------|
| | £ | £ |
| Interest receivable | 1,803 | 1,207 |
| | <u>1,803</u> | <u>1,207</u> |

3 INTEREST PAYABLE AND RELATED CHARGES

| | 2002 | 2001 |
|---------------------------------|---------------|--------------|
| | £ | £ |
| On loans from group undertaking | 15,000 | 8,438 |
| | <u>15,000</u> | <u>8,438</u> |

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the Company, who are Directors of CLS Holdings plc are disclosed in that company's financial statements in respect of their services to the group as a whole. None of the other Directors received emoluments for their services during the year (2001:nil). The Company had no employees during the year (2001: none).

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2002 £ | 2001 £ |
|--------------------------------|-----------|-----------|
| This is stated after charging: | | |
| Auditors' remuneration | 1,176 | 1,176 |

6 TAX ON LOSS ON ORDINARY ACTIVITIES

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| UK corporation tax at 30% (2001 - 30%) | - | - |

No provision for Corporation Tax has been made for the year due to the availability of losses. Losses are available from one or more of the following sources; losses arising in the year or losses brought forward. Losses arising in the period have been surrendered free of charge.

7 INVESTMENTS

| | Gilts £ | Joint Venture £ | Total £ |
|-----------------------------|------------|-----------------------|------------|
| Balance at 1 January 2002 | 20,000 | 993,110 | 1,013,110 |
| Additions | 10,000 | 100,000 | 110,000 |
| Balance at 31 December 2002 | 30,000 | 1,093,110 | 1,123,110 |

The Gilts were purchased at a cost of £30,000. Market value at 31 December 2002 was £29,616(2001: £19,687). The directors do not consider this diminution to be material, therefore no provision has been made in the accounts. The 33.33% interest in Teighmore Limited a property investment company incorporated in Jersey, has not been accounted for as a joint venture in the company's financial statements as it has been accounted for under the equity method of accounting in the consolidated financial statements of the company's ultimate parent undertaking. This investment consists of share capital of 333 Ordinary shares of £1 each and a long term shareholder's loan of £1,092,777.

8 DEBTORS

| | 2002 £ | 2001 £ |
|--------------------------------|-----------|-----------|
| Prepayments and accrued income | - | 78 |
| | - | 78 |

9 CREDITORS: amounts falling due within one year

| | 2002 £ | 2001 £ |
|-----------------------------------|-----------|-----------|
| Amounts due to group undertakings | 411,934 | 285,008 |
| | 411,934 | 285,008 |

10 DEFERRED TAXATION

Deferred taxation is provided as follows:

| | 2002 Provision £ | Amount unprovided £ | 2001 Provision £ Re-stated | Amount unprovided £ Re-stated |
|--|------------------------|---------------------------|-------------------------------------|--|
| Capital allowances in excess of depreciation | - | - | - | - |
| Losses brought forward | - | (11,903) | - | (11,903) |
| | - | (11,903) | - | (11,903) |

The deferred tax asset above is not recognised in these financial statements as the directors consider that suitable taxable profits are not sufficiently certain to arise in the foreseeable future which could be set against that asset.

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

11 CALLED UP SHARE CAPITAL

| | 2002 £ | 2001 £ |
|---------------------------------------|-----------|-----------|
| Authorised ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid: | | |
| Ordinary shares of £1 each | 2 | 2 |

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

| | Share Capital £ | Profit & Loss Account £ | 2002 Total £ | 2001 Total £ |
|------------------------|-----------------------|-------------------------------|--------------------|--------------------|
| Balance at 1st January | 2 | 728,179 | 728,181 | 739,575 |
| Loss for the year | - | (17,005) | (17,005) | (11,395) |
| Balance at 31 December | 2 | 711,174 | 711,176 | 728,180 |

The Implementation of FRS 19 has had no effect on the results for the year. (2001: Nil)

13 CONTINGENT LIABILITY

In the Directors opinion, no contingent liabilities exist.

14 PARENT UNDERTAKING

The directors consider that the immediate, ultimate parent undertaking and controlling party is CLS Holdings plc which is registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, CLS Holdings plc, One Citadel Place, Tinworth Street, London, SE11 5EF.